SIS. PAGE C-2

BUSINESS EYE: PITTSBURGH INSPIRES BOTSWANAN. PAGE C-3

BEAR. PAGE C-4

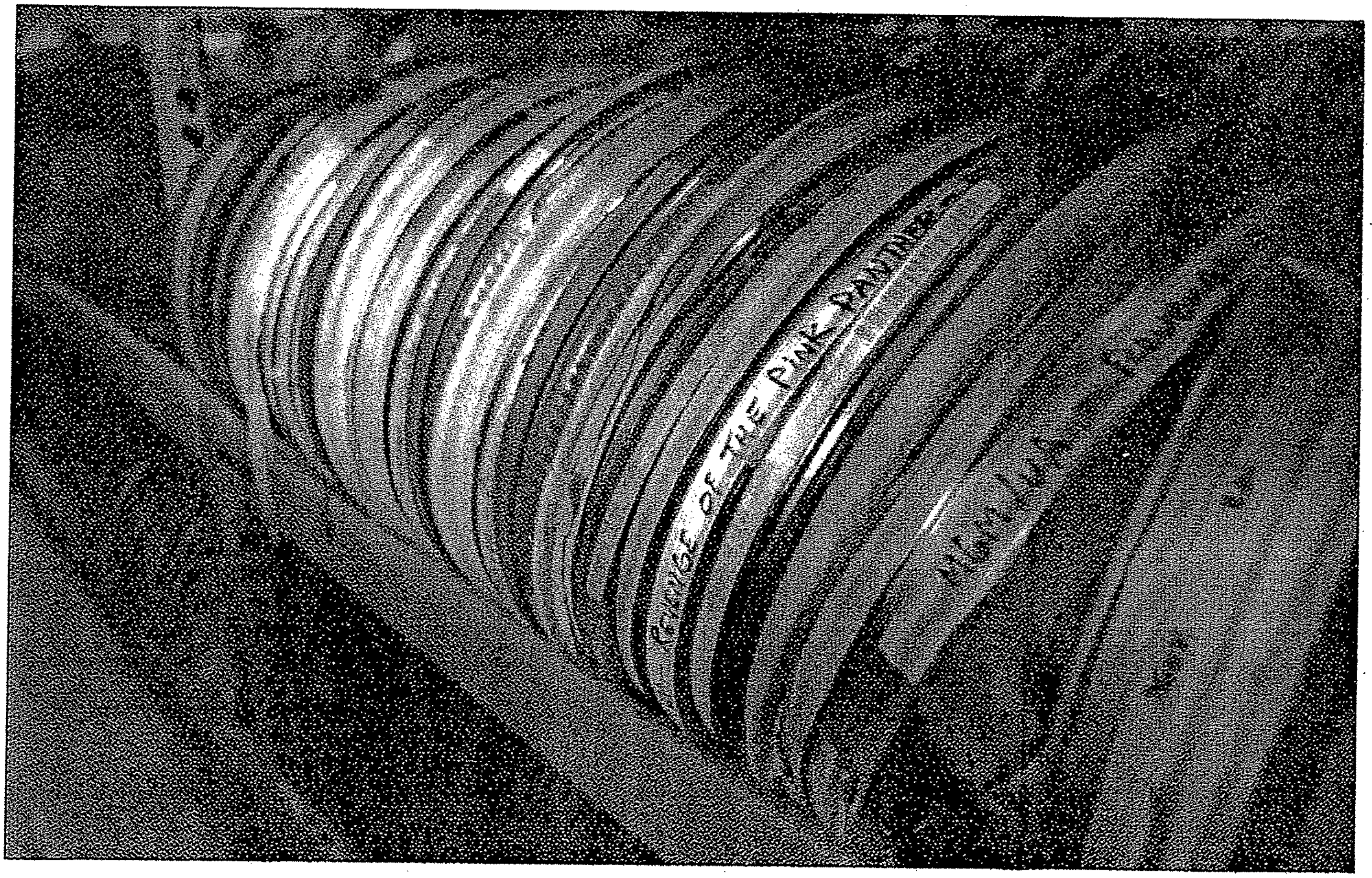
SHOP TALK: US AIRWAYS EXECS' FAT EXIT STRATEGY. PAGE C-3

BUSINESS

C SECTION

PITTSBURGH POST-GAZETTE ■ SUNDAY, AUGUST 26, 2001

EXHIBIT 11



Bill Wade/Post-Gazette

Video and film reels are stored inside a vault at WRS Motion Picture and Video Laboratory in this 1997 photo. After the company's sudden shutdown earlier this month, filmmakers and producers are trying to obtain film they say is locked inside the company's vaults.

SURPRISE ENDING

NATIONALLY KNOWN CRAFTON FILM FIRM MEETS DEMISE AFTER 49 YEARS

On Thursday, Jack Napor stood before a federal judge in Pittsburgh, pleading his own case to regain control of the well-known film company he had run for the past 42 years. As he would later say, "I can't afford an attorney because I've lost everything."

Thirteen days ago, Napor resigned as president and chief executive officer of WRS Motion Picture and Video Laboratory, one of the few large film production and restoration companies outside Hollywood.

The Crafton-based company, with a payroll of $8 million and 240 employees, was one of the brightest stars of the Pittsburgh film industry, with customers such as Disney and Paramount and the original copy of films such as "Night of the Living Dead" stored in its airtight vaults.

And Napor, its longtime chief executive, was one of the leading figures in the local film scene. He was named 47th on a 1999 list of Pittsburgh's Top 50 Cultural Power Brokers by the Post-Gazette, for his position at WRS and for the thousands of dollars he gave to aspiring filmmakers in his mother's honor at the annual Laura Napor Film Grant Awards.

"They are — or were — one of the largest film labs in the country," said Dawn Keezer, director of the Pittsburgh Film Office. "They do really great work."

Abruptly this month, however, WRS fell apart. A slow economy combined with heavy debt led to a bank foreclosure and Napor's resignation. Within days, WRS had ceased operations, a bank-appointed crisis manager had stepped in to manage the company's assets, and employment had dropped to only a handful.

For those closely involved — Napor, former WRS employees and the Pittsburgh film community — the shutdown of WRS has been a traumatic lesson in how quickly a prominent enterprise can be reduced to court documents, creditors' claims and collateral equipment.

49-year climb, sudden fall

WRS was founded in 1952 by Warren R. Smith and funded in part by the late radio personality Rege Cordic. In 1958, a young Jack Napor was tapped to head the small company, then located in Oakland.

By the early 1960s, WRS faced financial problems, but Napor devised a plan to bring in new business: The company would sell blank film to high school sports teams and then develop the schools' tapes. That saved the company, and WRS became one of the largest sports film processors.

By 1988, the business had grown. The local offices moved to Crafton. Branch offices would open in Atlanta, Houston and Los Angeles. In addition to storing videos, WRS restored old movies, processed new films, converted film to video and stored hundreds of thousands of film reels in special climate-controlled vaults. The company's restorative work included "Raging Bull" and the "James Bond" and "Pink Panther" series.

Despite the high-profile work, however, financial problems grew as the economy slowed. Earlier this year, rumors circulated among workers about denied health-care claims. In July, Napor acknowledged in a letter to employees that Highmark Blue Cross Blue Shield had canceled coverage for nonpayment. And earlier this month, Napor told workers that the National Bank of Canada had foreclosed on a $4.4 million loan. WRS would go out of business.

The news was a shock to employees, many of whom had worked there for well over a decade. Feelings of loyalty soon turned to confusion and anger.

Facing unemployment in a slow economy and still awaiting their final paycheck, workers learned of additional surprises.

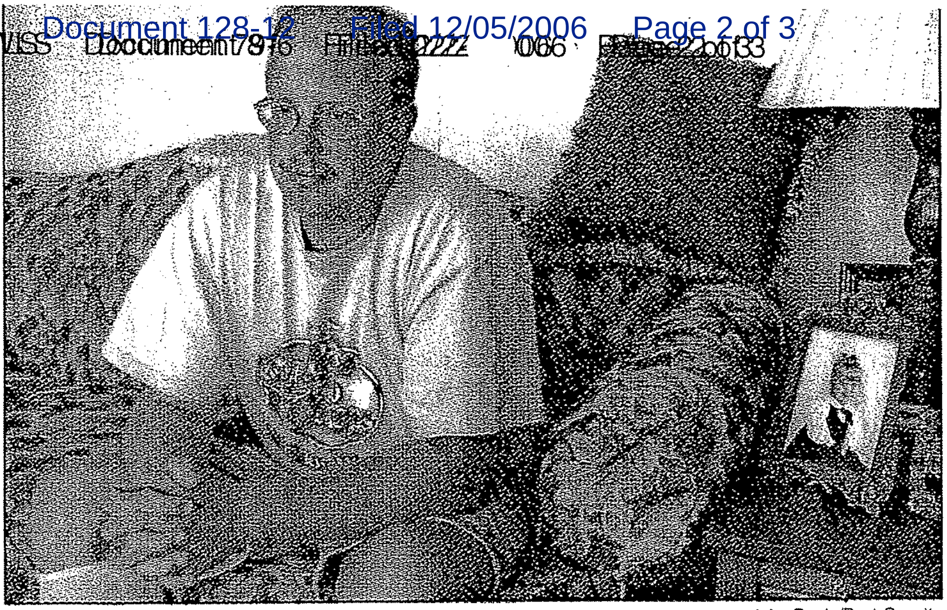
Money deducted from some of their paychecks for health insurance didn't reach the insurer; some money still was owed to 401(k) plans; and some funds garnisheed from paychecks for child support didn't reach the agency collecting it.

401(k) worries

"We've all got a life, rent, a mortgage," said former WRS worker Bill Carl, who contacted the U.S. Department of Labor after observing that WRS had fallen behind on 401(k) payments it was deducting from his paycheck.

Rochelle Thomas said she borrowed against her 401(k) to pay off a $1,300 credit

SEE **WRS,** PAGE C-10



John Beale/Post-Gazette

Bill Carl, a former worker at WRS Motion Picture and Video Laboratory, has contacted the U.S. Department of Labor after learning WRS had been deducting funds for its 401(k) plan but had not forwarded the funds to the proper destination.

TIMELINE OF WRS TURMOIL

- **JULY 13** — Employees of WRS Motion Picture and Video Laboratory first realize their company has grave financial problems when they receive a letter from President and Chief Executive Officer Jack Napor. The letter says an outside consultant, Parkland Group, has recommended that he step down to make way for a turnaround specialist and that he intends to do so. The letter also discusses problems the company is having collecting $4.7 million owed by customers, and Napor apologizes for WRS's loss of employee health insurance through Highmark Blue Cross Blue Shield.
- **AUG. 3** — Napor tells workers the company will close because it can't repay a $4.4 million loan to the National Bank of Canada.
- **AUG. 4** — 64 employees return to work to try to finish projects for customers. In the coming weeks, the number of workers will dwindle to fewer than 10.
- **AUG. 14** — Napor announces his resignation, saying he has been unable to find funding or reorganize the company. Joe Gerek and John Phillips are appointed interim chief executive officers, the Napor memo says. Phillips leaves the company shortly afterward.
- **AUG. 17** — U.S. District Judge Donald Ziegler rules in favor of the National Bank of Canada, which had filed a motion to place WRS in the hands of a "receiver" — a firm specializing in managing troubled companies.

Film firm from Crafton meets demise after 49 years

WRS FROM PAGE C-1

card balance. She said WRS deducted her biweekly repayment to her 401(k) plan but did not forward the payments to Cigna, the administrator of the 401(k) plan.

Thomas said Cigna told her, "I either have to pay the loan back in full or let it default and pay taxes and penalties for the loan."

Carl and other workers interviewed have expressed their concerns and shown documents to Mike Piro of the U.S. Department of Labor. Piro, who investigates worker complaints, declined comment.

Court documents and an attorney close to the case echo the employees' 401(k) concerns.

"WRS failed to adequately fund its employees' 401(k) plan" by more than $70,000, according to a document filed in U.S. District Court in Pittsburgh by the National Bank of Canada, WRS's chief lender.

And attorney Stanley Levine, who represented WRS earlier this month, said he believes WRS owes about $75,000 to employee 401(k) accounts.

In a brief interview Friday night, Napor acknowledged that WRS owes workers for 401(k) payments.

"Those were some tough times," he said. "We were living hand-to-mouth, and our records just weren't accurate and good."

Earlier this month, the Post-Gazette faxed Napor a list of questions detailing employee concerns. Napor and Levine responded via e-mail. In the e-mail, Napor expressed "disappointment" at the questions and declined to respond to what he termed the "issues and perceptions" of the employees.

After heading WRS since 1958, Jack Napor resigned as president and chief executive officer earlier this month.

"The recent past has been very difficult for our company and our industry," Napor said in the response. "WRS has been struggling to pay its creditors, while seeking to implement various revenue enhancement and cost reduction initiatives."

Levine later said the 401(k) funds probably were used to pay suppliers and other creditors who were owed money. "I can assure you it wasn't taken out to supplement the pay of management," he said, adding that he believed that Napor had worked without pay for several months.

State of confusion

Although WRS provided basic medical coverage for its workers, it deducted funds directly from paychecks if employees had upgraded their insurance, or if workers had added family members to their plan.

Several workers' earnings statements showed that funds were deducted from their paychecks for health insurance through the end of July. But those funds stopped reaching Highmark in December.

As a consequence, Highmark started rejecting some claims in early 2001. The workers didn't get official notice from either WRS or Highmark that they had lost coverage until late July, however, when Highmark sent the workers letters that stated their health insurance was terminated, backdated to December.

Edmund Urbanus learned he was uninsured shortly after he had $25,000 heart surgery in February. He heard a rumor at WRS that some co-workers' medical bills were being returned to their doctors, unpaid. A phone call to Highmark confirmed his fears. "We were sort of panicking. We couldn't pay all these bills."

The WRS employees were "caught in a bad situation," said Highmark's Denise Grabner. "We haven't been paid anything since December, so Highmark had to cancel the workers' plans."

In a July letter to employees, Napor explained that he had tried to pay employees' health insurance many times but that the bank would not clear the checks. While that was happening, WRS unsuccessfully tried to find a replacement insurer.

But roughly two weeks after Highmark sent letters to WRS employees to tell them they had been without insurance for six months, the insurer gave them some good news. It said it would cover their medical bills through July.

Highmark was "doing the right thing" by paying claims for the uninsured workers, said Grabner, since WRS workers hadn't realized they had no insurance. Highmark also intends to give them certificates to help people with pre-existing medical conditions obtain new insurance.

However, yet another paycheck deduction problem surfaced in the area of child support.

Paul Darden is one of three former workers who said that some wages garnisheed for that purpose were deducted from their paychecks by WRS but never reached the agency that administers those checks and, as a consequence, never reached the children.

As a result, Darden said, he owes $1,500 in back pay for child support, even though his earnings statements show that WRS deducted funds for that purpose until the end of July.

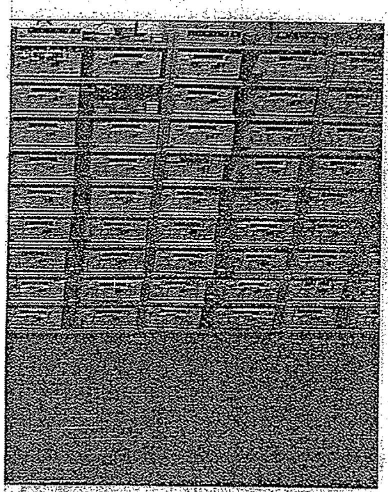
Napor acknowledged the child support problem in a brief interview Friday night but said he believes that the overdue payments have since been made.

Seeking resolution

Now in the bank's hands, WRS has a long list of creditors and customers who want their money or their film back.

"The independent and even commercial [film] community in Pittsburgh is really holding its breath right now, waiting to hear what the process will be for collecting the material that's stored in the vaults," said Pittsburgh Filmmakers Executive Director Charlie Humphrey.

They are unable to access the materials until new management appointed by the bank devises a plan to return film and other equipment in an orderly manner.



Bill Wade/Post-Gazette

A WRS video engineer adjusts some of the 2,000 videotape machines, which duplicate video in "real time," in this 1997 photo. The company was forced to shut down this month after the National Bank of Canada foreclosed on a $4.4 million loan.

Local filmmaker Bernie Wodzinski said his three-year-long film project is tied up until he can get inside WRS to reclaim it. Wodzinski is making an independent film that chronicles a woman's midlife crisis and redemption. He cannot work on it until he retrieves materials stored at WRS. The film, he said, is "like my child, but the child has been kidnapped."

Also among those waiting to be reunited with their film is Russ Streiner, co-producer of "The Night of the Living Dead," the 1967 horror classic. The original version is stored at WRS.

"WRS was the centerpiece of the film community here," he said. "You could always count on them. Jack Napor has to be absolutely devastated. Jack's entire life was that lab."

Napor said he intends to fight the court order that ruled in favor of the National Bank of Canada and placed WRS into a receivership, under the direction of Chicago-based crisis management firm Alex D. Moglia and Associates. He further said that he hopes to see WRS enter Chapter 11 bankruptcy and gain protection from creditors so that it can be reorganized. Napor wants to avoid liquidation, which he believes is the bank's intention. Bank officials could not be reached for comment.

"In the best-case scenario, the receiver would be out of there, and we would be back in control," Napor said. "We would downsize and build on what's left."

His former employees, however, said they don't expect to return to a resuscitated WRS. Most are pursuing other jobs.

Urbanus is feeling well after his heart surgery, and he expects to see Highmark pay his $25,000 bill soon. For him, it's time to make a fresh start and get out of the film and video business.

"I'm going back to school for a master's degree in multimedia technology," he said. "I want to get as far away as I can."